

BUDGET LETTER

SUBJECT: EMPLOYEE COMPENSATION ADJUSTMENTS—ITEM 9800	NUMBER: 17-24
REFERENCES: BL 16-28, 16-30, 17-04, SEE ATTACHMENT	DATE ISSUED: August 29, 2017
	SUPERSEDES: BL 17-04

TO: Agency Secretaries
Department Directors
Departmental Budget and Accounting Officers
Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

NOTE: Budget Officers are expected to forward a copy of this Budget Letter (BL) to their Human Resources and Labor Relations Offices.

The BL provides departments with instructions for scheduling 2017-18 employee compensation adjustments as part of the 2018-19 budget process.

<i>Deadlines and Deliverables</i>	
September 29, 2017	Item 9800 Employee Compensation Workbook, adjustments in Hyperion, and supporting documentation due to your Finance budget analyst.

A. Background

The state has current Memoranda of Understanding (MOUs) with all 21 collective bargaining units (see Worksheet 2 for a complete list of all 21 bargaining units.) This BL addresses the distribution of 2017-18 employee compensation augmentations approved through the collective bargaining process and by the Director of the California Department of Human Resources (CalHR) for employees excluded from collective bargaining. It also includes background information and instructions for departments to calculate and schedule current year and budget year funding requests.

These instructions do not apply to personnel of the University of California, the Hastings College of Law, the California State University, or State Active Duty personnel of the Military Department.

Glossary Relevant to this BL

The following terms are used throughout this BL:

BBA	=	Baseline Budget Adjustments. These are baseline expenditure adjustments such as employee compensation, carryovers, etc.
BR	=	Budget Request. These are issues identifying changes to dollar amounts and/or positions for any fiscal year in the system.
BU	=	Business Unit. This four-digit number is equivalent to an organization code/entity.
Category	=	An account code in the Chart of Accounts.
ENY	=	Enactment Year (formerly Year of Appropriation).

B. General Instructions

To request funding for eligible adjustments, departments must complete and submit the Item 9800 Employee Compensation Workbook (Attachment 1), adjustments in Hyperion, and related supporting documentation to their Finance budget analyst **no later than Friday, September 29, 2017**. This information is necessary to support the funding request and to provide the necessary scheduling information to the State Controller's Office (SCO) to process the forthcoming 2017-18 Budget Executive Order and transfer appropriation authority from Item 9800 to the respective support appropriations. **If a department fails to submit Attachment 1 and make adjustments in Hyperion by this deadline, additional appropriation authority may not be provided.** Please refer to the following instructions for each worksheet within Attachment 1 to calculate the appropriate adjustments.

As noted in the revised [BL 17-19](#), contrary to normal practice, the Schedule 8 from the SCO included salary adjustments for vacant positions and certain other positions as of July 1, 2017, rather than June 30, 2017. These totals will be used to complete the 2018-19 Salaries and Wages Spreadsheet (Schedule 7A). Using the Schedule 7A for purposes of this BL may result in amounts in excess of the actual employee compensation changes. **Therefore, departments should consult with their Finance budget analyst prior to making adjustments that would generally adjust for this discrepancy. If adjustments are made, departments should also provide adequate supporting documentation to their Finance budget analyst. In some cases, Finance may adjust amounts calculated and submitted, depending on authorized positions and budgetary constraints.**

Checklist

Departments should utilize the following checklist when completing Attachment 1 and the associated Hyperion entries, including use of the BBA Excel Upload Templates:

- **BR Name:** Use the standard naming convention and coordinate with your Finance budget analyst to provide a unique BR Name (for example, 2222-00X-BBA-2018-GB).
- **BR Title:** For purposes of this BL, use the titles listed in the Section D instructions.
- **BBA Type:** Adjustments calculated on Worksheets 4, 5, and 6 must be scheduled in three separate BRs, using the BBA types listed in the Section D instructions.
- **ENY:** Unless scheduling to a continuous or continuing appropriation, select an ENY of 2017 for CY Expenditures adjustments and an ENY of 2018 for BY-BY4 Expenditures adjustments.
- **Category Codes:** For purposes of this BL, use the specific category codes listed in the Section D instructions.
- **Salary, Benefit, and Other Post-Employment Benefits (OPEB) Adjustments:** Must be entered in whole dollars and rounded to the nearest thousand in Attachment 1 and Hyperion. For example, \$1,987 must be rounded to \$2,000.
- **Reimbursements:** Fund 0995 must be used to schedule reimbursements to the associated program/category spending those funds.
- **Distributed Administration Costs:** See the Distributed Administration Costs section below for more information.

C. Item 9800 Employee Compensation Workbook (Attachment 1)

Worksheet 1: Item 9800 Summary Worksheet

This worksheet displays total adjustments that are calculated on Worksheets 4, 5, 6, and 7. Cells within this worksheet are all formula driven.

Worksheet 2: Item 9800 List of Bargaining Units

This worksheet provides a list of current bargaining units. This list should be referenced to ensure adjustments on Worksheets 4, 5, 6, and 7 correspond to the correct bargaining unit.

Worksheet 3: Item 9800 List of Eligible Salary and Benefit Adjustments

This worksheet provides a list of eligible Salary, Benefit, and OPEB Adjustment information necessary to complete Worksheets 4, 5, 6, and 7.

CalHR has or will be transmitting classification and pay adjustment data to departments through multiple pay letters. The pay letters that have been released and the associated Salary, Benefit, and OPEB Adjustments can be found on Worksheet 3.

Worksheets 3a and 3b: Item 9800 Benefit Adjustment Instructions and Detail

Worksheets 3a and 3b provide detailed health and dental benefit information and instructions necessary to complete Worksheet 5.

Worksheet 4: Item 9800 Salary Adjustment Worksheet

This worksheet is used to calculate Salary Adjustments, as listed on Worksheet 3. Augmentations will only be provided for adjustments detailed on Worksheet 3. **Augmentations will not be provided for the following:**

- **Overtime.**
- **Increased contract costs.**
- **Limited-term positions.**
- **Temporary help blanket positions.**
- **Revised Salary Adjustment worksheets submitted in the fall or spring of 2017.**

On this worksheet, if an adjustment is applicable to all employees in the department, use Regular/Ongoing Positions salaries in the current year column (2017-18) from the Schedule 7A (see highlighted cell in Schedule 7A example on next page) for the current and budget year salary base. Some adjustments on Worksheet 3 will only impact specific classifications, bargaining units, etc. In those instances, use only the salary base specific to those impacted classifications.

Note that these adjustment amounts must be entered into Hyperion with a **“Salary Adjustment”** baseline adjustment type. For further instructions, refer to the Section D instructions—BRs in Hyperion and BBA Excel Upload Templates.

Although the pay letters and instructions on Worksheet 3 provide guidance regarding costing, departments are expected to review the terms of MOUs for additional clarification. Please refer to the CalHR website for MOU details, which may be found at:

<http://www.calhr.ca.gov/state-hr-professionals/Pages/bargaining-contracts.aspx>.

Schedule 7A Example

ORGANIZATIONAL UNIT Classification	NUMBER OF POSITIONS			EXPENDITURES		
	Filled 2016-17	Authorized 2017-18	Proposed 2018-19	Actual 2016-17	Estimated 2017-18	Proposed 2018-19
				(Salary Range)		
Administration						
Exec Director	0.9	1.0	1.0	\$8,369-9,053	\$105,300	\$105,300
Program Mgr I	0.8	1.0	1.0	5,079-6,127	64,267	67,483
Assoc Program Officer	0.8	2.0	2.0	4,400-5,348	107,140	112,497
Exec Asst	0.6	1.0	1.0	3,288-3,996	45,674	45,674
Staff Services Analyst	0.9	-	-	2,817-4,446	-	-
TOTALS, AUTHORIZED POSITIONS	5.0	6.0	6.0	\$294,552	\$370,738	\$380,597
<i>Regular/Ongoing Positions</i>	<i>4.0</i>	<i>5.0</i>	<i>5.0</i>	<i>256,132</i>	<i>322,381</i>	<i>330,954</i>
<i>Temporary Help</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	<i>25,613</i>	<i>32,238</i>	<i>33,095</i>
<i>Overtime</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>12,807</i>	<i>16,119</i>	<i>16,548</i>

Salary-Driven Benefit Calculations

The benefits listed below must be calculated as a percentage of the Salary Adjustment and included within the “Staff Benefits” column on Worksheet 4 for each applicable adjustment. **Other increased costs will not be funded.**

- OASDI (Social Security)—6.2 percent of total salary up to the \$128,550 cap (for each position covered by OASDI) for 2017-18 and \$132,150 for 2018-19.
- Medicare—1.45 percent of total salary (no cap).
- Retirement—Departments must use the 2017-18 retirement rates as reflected in Control Section 3.60 ([BL 17-23](#)). This information will be used in completing Worksheet 4.
- Other Salary-Driven Compensation—Pay differentials that are calculated as a percentage of base salary that are not included in the salary on the Schedule 7A (e.g., longevity pay) must be included in the salary base to accurately capture increased benefit costs.

Note that these adjustment amounts must be entered into Hyperion with a “**Benefit Adjustment**” BBA type. For further instructions, refer to the Section D instructions—BRs in Hyperion and BBA Excel Upload Templates.

Worksheet 5: Item 9800 Benefit Adjustment Worksheet

Adjustments to the employer’s health benefits contribution for specific bargaining units were made as a part of their MOUs or as approved by CalHR. Based on the approved 2018 health rates adopted by the California Public Employees’ Retirement System, the state’s contribution toward 2018 health premiums for a majority of bargaining units will be higher than the amount contributed by the state in 2017. CalHR has transmitted specific health contribution adjustment data to departments through Personnel Management Liaisons (PML). To calculate the 2017-18 Employer’s Health Benefit Contribution adjustment, departments should refer to Worksheets 3a and 3b and calculate the adjustments on Worksheet 5.

Note that these adjustment amounts must be input into Hyperion with a “**Benefit Adjustment**” BBA type. For further instructions, refer to the Section D instructions—BRs in Hyperion and BBA Excel Upload Templates.

Worksheet 6: Other Post-Employment Benefits (OPEB) Worksheet

This worksheet is used to calculate OPEB adjustments, as listed on Worksheet 3. Through the collective bargaining process, all union contracts now include prefunding of retiree healthcare benefits and other cost containment measures to address the state's \$76.5 billion unfunded healthcare obligation. As part of these prefunding agreements, the employee and employer will each begin contributing 50 percent of the actuarially determined normal cost of their retiree health benefit. To complete this worksheet, departments will need to determine the pensionable compensation associated with the employee groups impacted. **This adjustment will impact employees of the following bargaining units (BU):**

- **BU 2 (Attorneys and Administrative Law Judges)**
- **BU 6 (Correctional Officers)**
- **BU 7 (Public Safety)**
- **BU 8 (Firefighters)**
- **BU 9 (Engineers)**
- **BU 10 (Scientists)**
- **BU 12 (Craft and Maintenance)**
- **BU 13 (Stationary Engineers)**
- **BU 16 (Physicians and Dentists)**
- **BU 18 (Psychiatric Technicians)**
- **BU 19 (Health and Social Services)**
- **State-level employees in the Judicial Branch**

Employees of BUs 1, 3, 4, 11, 14, 15, 17, 20, and 21 (SEIU) as well as BU 5 (CHP) will not receive an augmentation as part of this BL.

Note that these adjustment amounts must be entered into Hyperion with an **"Issue Specific Adjustment"** BBA type for the appropriate title to display in the Governor's Budget. For further instructions, refer to the Section D instructions—BRs in Hyperion and BBA Excel Upload Templates.

Worksheet 7: Item 9800 Salary and Benefit Adjustment Fund Split Worksheet

Provide the unique appropriation item (BU, Reference, Fund, Program, and Category) for each adjustment. Please note there are several category codes that can be used for the various adjustments found in Worksheets 3, 3a, and 3b. For purposes of this BL, the following category codes must be used for each respective adjustment:

- **510XXXX** (Salaries and Wages) for Salary Adjustments calculated on Worksheet 4.
- **515XXXX** (Staff Benefits) for Benefit Adjustments calculated on Worksheets 4 and 5.
- **5150820** for OPEB Adjustments calculated on Worksheet 6.

The only exception is if scheduling adjustments as Distributed Administrative Costs (Program 9900200), then use Category 5342500 (Indirect Distributed Cost). If reimbursement adjustments are necessary, select the appropriate category code referenced above, based on the adjustment type, scheduled to Fund 0995. The totals from Worksheets 4, 5, and 6 must tie to the Item 9800 Summary Worksheet in Attachment 1.

To correctly classify funds and reduce errors, the Item 9800 Salary and Benefit Adjustment Fund Split Worksheet includes a drop-down list of all funds by fund number as well as all applicable adjustment categories to select from rather than keying in manually. The fund classification will auto-populate based on the fund/category selected by the department. While this process *should* help mitigate errors, departments must verify each fund classification by reconciling it to the Uniform Codes Manual (UCM). Please refer to the UCM, Numerical Fund Listing:

http://www.dof.ca.gov/Accounting/Policies_And_Procedures/Uniform_Codes_Manual/Fund_Codes/documents/20fundnum.pdf.

Please note Federal funds and bond funds are to be classified as non-governmental cost funds.

Worksheet 8: Item 9800 Crossties

To ensure that all adjustments within Attachment 1 agree, the crossties on this worksheet must all reflect “0” for both the current and budget years.

D. Instructions—BRs in Hyperion and BBA Excel Upload Templates

General Information

After completing all applicable worksheets in Attachment 1, departments are required to **complete up to three separate BRs in Hyperion**:

- **One for Salary Adjustments.**
- **One for Benefit Adjustments.**
- **One for OPEB Adjustments.**

Adjustments in Hyperion must correspond to the adjustments listed on the Item 9800 Salary and Benefit Adjustment Fund Split Worksheet (Worksheet 6). If uploading to Hyperion, departments must use the latest BBA Excel Upload Template Workbook available on Finance’s website at:

http://www.dof.ca.gov/budget/resources_for_departments/budget_forms/. These templates have been updated for 2018-19 budget development to reflect the current account codes and programs.

Departments must use the following for each BR created:

1. Use the standard naming convention to provide a unique BR name.

Example of BR naming conventions:

Budget Request	2222-00X-BBA-2018-GB (for Salary Adjustments)
Budget Request	2222-00X-BBA-2018-GB (for Benefit Adjustments)
Budget Request	2222-00X-BBA-2018-GB (for OPEB Adjustments)

2. For purposes of this BL, the following titles must be used for tracking purposes and consistency statewide:
 - **“Allocation for Employee Compensation”** for Salary Adjustments.
 - **“Allocation for Staff Benefits”** for Benefit Adjustments.
 - **“Allocation for Other Post-Employment Benefits”** for OPEB Adjustments.
3. For departments using the BBA Excel Upload Template, use the drop-down menu to select the appropriate BU.

Baseline Adjustment Type

Departments must select a BBA type from the drop-down menu in the Baseline Adjustment Type tab. For purposes of this BL, the following BBA types must be selected:

- **“Salary Adjustments”** for Salary Adjustments calculated on Worksheet 4.
- **“Benefit Adjustments”** for Benefit Adjustments calculated on Worksheets 4 and 5.
- **“Issue Specific Adjustment”** for OPEB Adjustments calculated on Worksheet 6. For purposes of this BL, **“Allocation for Other Post-Employment Benefits”** must be used for the BR Description, as noted above.

Baseline Adjustments (CY Expenditures and BY-BY4 Expenditures)

Using the drop-down menus, specify the Item, ENY, Program, and Category for each unique combination of funding needed to support the adjustment. For purposes of this BL, the acceptable category types to select are 510XXXX (Salaries and Wages) for Salary Adjustments, 515XXXX (Staff Benefits) for Benefit Adjustments, and 5150820 for OPEB Adjustments, unless scheduling adjustments as Distributed Administrative Costs (Program 9900200), then use Category 5342500 (Indirect Distributed Cost). Using the dollars scheduled in the current and budget years in Attachment 1, enter the adjustments in the CY Expenditures and BY-BY4 Expenditures tabs in whole dollars rounded to the nearest thousand. Departments should refer to Worksheet 7 when determining the dollars that should be scheduled in the current and budget years. All ongoing BY expenditures must be copied to the BY1-4 columns.

Distributed Administration Costs

Departments that distribute administrative costs will need to reflect that distribution for applicable Item 9800 Adjustments. To properly reflect the in-and-out nature of distributed administrative costs, a three-entry scheme is required:

1. Program 9900100 (positive adjustment) and Category 51XXXXX to show the positive total being distributed to a particular program(s).
2. Program 9900200 (negative adjustment) and Category 5342500 to reflect total distributed cost.
3. The program (positive adjustment) that pays for the distributed cost with Category 5342500.

This process allows the dollars associated with a particular program to be included in the program total. For more details, refer to "Treatment of Distributed Administration" found at:

http://www.dof.ca.gov/Budget/Fiscal_Resources_For_Budget/.

E. Reclassified and Administratively Establish Positions

Control Section (Section) 31.00 within the annual Budget Act provides authority to administratively establish and reclassify positions within an existing appropriation, subject to specified criteria. As noted in [BL 16-30](#) (Position Control), Finance has identified inconsistencies with the application of Section 31.00 regarding the process for reclassifying positions. Specifically, departments shall not reclassify positions above statutory thresholds set annually in Section 31.00—and cannot make appointments under any circumstances to those positions—before Finance approval has been received. While Finance review of the reclassification request is pending, it is inappropriate to use the Temporary Help Blanket or other mechanism to temporarily upgrade the position; however, Finance's approval of the standard 607 form required by Section 31.00 cannot be assured. It is important that departments adhere to policies and procedures regarding the use of Section 31.00. **Inappropriate use of Section 31.00 may result in Finance decreasing the employee compensation adjustment amounts requested.**

F. Questions

Please direct questions related to PMLs, Pay Letters, or provisions of an MOU to departmental personnel, labor relations officers, or CalHR. For the treatment of budget documents, please direct questions to your Finance budget analyst.

/s/ Justyn Howard

Justyn Howard
Program Budget Manager

Attachment